

Message Text

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SUBJECT: SOVIET CREDIT WORTHINESS OF CEMA COUNTRIES AND NATURE
OF THE IIB

1. SOVIET SENSITIVITY TO WESTERN PRESS REPORTS ON THE
INDEBTEDNESS OF CEMA COUNTRIES, THE QUESTION OF THEIR
CREDIT WORTHINESS, AND THE ROLE OF THE INTERNATIONAL
INVESTMENT BANK (IIB) IS SHOWN BY A DEFENSIVE ARTICLE
WHICH APPEARED IN SOCIALIST INDUSTRY OF DEC 8. ACCORDING
TO THE AUTHOR, A. LIRMYAN, WESTERN ACCOUNTS WHICH
EMPHASIZE THE GROWTH IN THE DEBT POSITION OF THE CEMA
COUNTRIES FAIL TO TAKE INTO ACCOUNT THE PARALLEL
TREMENDOUS INCREASE IN THEIR VOLUME OF TRADE. FOR
EXAMPLE, TRADE BETWEEN THESE COUNTRIES AND THE EC MORE
THAN TRIPLED IN THE PERIOD 1971-75. LIRMYAN FURTHER
ARGUES THAT THE EXTENSION OF CREDIT IS "ONE OF THE
FACTORS IN PRESENT-DAY WORLD ECONOMIC TIES" AND THAT A
DENIAL OF CREDIT IS "AN INSTRUMENT OF DISCRIMINATORY
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RESTRICTIONS." AND SINCE THE TRADE OF THESE COUNTRIES

WITH THE DEVELOPED CAPITALIST COUNTRIES HAS ENTERED A NEW STAGE, "A CHARACTERISTIC FEATURE OF WHICH IS TRANSITION TO LARGE-SCALE COOPERATION ON A LONG-TERM BASIS," THIS TOO IMPLIES A LARGE GROWTH IN CREDITS.

2. LIRMYAN ARGUES DISINGENUOUSLY THAT INTEREST PAYMENTS BY CEMA COUNTRIES ARE, AS A PROPORTION OF EXPORTS, SIMILAR TO THOSE PAID BY WESTERN COUNTRIES IN THEIR TRADE WITH ONE ANOTHER. HE OMITTS MENTION OF THE FACT THAT, DUE TO THE LOWER RATE OF INTEREST WHICH THEY PAY ON GOVERNMENT-SUBSIDIZED LOANS, EQUAL AMOUNTS OF INTEREST PAYMENT MEANS A MUCH LARGER PRINCIPAL TO BE REPAYED IN THE CASE OF CEMA COUNTRIES. THUS TOTAL PAYMENTS (PRINCIPAL PLUS INTEREST) ARE MUCH HIGHER IN THE CASE OF THE CEMA COUNTRIES, AND IT IS THE TOTAL PAYMENTS WHICH CONCERN WESTERN BANKERS.

3. LIRMYAN ALSO DEFENDS THE ROLE OF THE IIB. HE CLAIMS THAT ITS LOANS TOTALING 2,9000 MILLION TRANSFERABLE RUBLES IN 1971-75 INCREASED THE ANNUAL PRODUCTION OF THE 23 RECIPIENT ENTERPRISES WHICH WENT INTO PRODUCTION BY 600 MILLION RUBLES. CEMA PROJECTS WHICH IT IS HELPING TO FINANCE ARE THE ORENBURG GAS PIPELINE AND THE 750 KILOVOLT ELECTRICAL TRANSMISSION LINE BETWEEN VINNITSA, USSR AND ALBERTIRSA, HUNGARY. LIRMYAN ALSO CLAIMS THAT THE IIB "SUBSTANTIALLY WIDENS THE FUNCTION OF THE TRANSFERABLE RUBLE AS THE INTERNATIONAL (COLLECTIVE) CURRENCY OF THE CEMA COUNTRIES."

4. COMMENT. THIS ARTICLE REFLECTS SOVIET SENSITIVITY LEST THERE BE A LOSS OF CONFIDENCE BY WESTERN BANKERS IN THE CREDIT WORTHINESS OF THE CEMA COUNTRIES. SOVIETS MAY HAVE LESS IMMEDIATE CONCERN ABOUT THEIR OWN CREDIT WORTHINESS, WHICH IS STILL COMPARATIVELY GOOD, THAN FOR THOSE OF SOME OTHER CEMA COUNTRIES.
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